

1 BEFORE THE ARIZONA CORPORATION COMMISSION 2 LEA MÁRQUEZ PETERSON Arizona Corporation Commission Chairwoman 3 SANDRA D. KENNEDY DOCKETED Commissioner 4 JUSTIN OLSON MAY 27 2022 Commissioner 5 ANNA TOVAR Commissioner 6 JIM O'CONNOR Commissioner 7 IN THE MATTER OF THE APPLICATION) DOCKET NO. E-01345A-21-0240 8 OF ARIZONA **PUBLIC** SERVICE 78583 DECISION NO. COMPANY FOR APPROVAL OF ITS 2022 9 RENEWABLE ENERGY STANDARD **ORDER** IMPLEMENTATION PLAN FOR RESET OF 10 RENEWABLE ENERGY ADJUSTOR 11 12 Open Meeting April 12 and April 13, 2022 13 Phoenix, Arizona 14 BY THE COMMISSION: FINDINGS OF FACT 15 16 Background 17 1. On July 1, 2021, Arizona Public Service Company ("APS" or "Company") filed with the Arizona Corporation Commission ("ACC" or "Commission") an application for approval of its 18 19 2022 Renewable Energy Standard and Tariff Plan ("REST" or "REST Plan"), pursuant to Arizona 20 Administrative Code ("A.A.C.") R14-2-1814. 21 2. On December 9, 2021, APS filed an amended version of its 2022 REST Plan, to 22 conform with Decision No. 78317, dated November 9, 2021. APS's 2021 REST Plan was approved 23 by the Commission on June 8, 2021. **Rest Plan Components** 24 25 3. The programs contained in the Company's 2022 REST Plan are as follows: 26 Arizona Goes Solar Website 27 4. The Arizona Goes Solar website creates awareness of incentives for residential and

commercial solar projects and provides a publicly accessible source for up-to-date information on

utilities in Arizona.

Arizona Public Service Company Solar Communities

1 Other capital costs associated with the Solar Communities program have been recovered through APS's general rates.

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5. Pursuant to Decision No. 76295 (August 18, 2017), the Company created the APS Solar Communities program, for the installation of rooftop solar for limited and moderate-income residential customers, as well as non-profit commercial customers serving limited-income populations, Title I schools, and rural government customers. The Decision required APS to invest between \$10 million and \$15 million annually from 2018 to 2020, allocating no less than 65 percent of the annual program expenditures to residential installations. According to APS, delays due to COVID-19 in manufacturing suppliers, winter weather conditions in northern Arizona, and shelter in place restrictions in the Hopi Tribe, forced installations to continue through 2021.

solar market data. Although APS maintains the website, it contains information for all the major

- 6. Decision No. 78317, requires APS to extend the Solar Communities Program for an additional three years, increase the budget to between \$20 million and \$30 million per year, and increase the monthly bill credit for both existing and newly participating customers.
- 7. In 2022, APS requests \$4.1 million for the existing and expanded APS Solar Communities Program costs, as approved in Decision Nos. 76295 and 78317¹. The Company currently files quarterly program reports with the Commission in Docket Nos. E-01345A-16-0036, et al. and requests permission to file these reports in Docket No. E-00000R-16-0084 instead.

Coal Community Transition Funds

8. In Decision No. 78317, the Commission approved funding for Coal Community Transition ("CCT") and ordered that the funding be recovered from customers through the Renewable Energy Adjustment Charge ("REAC"). APS included in its budget request, the CCT funds administered as follows; \$7.34 million in 2022, \$3.33 million in 2023, and \$3.33 million in 2024.

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1 Green Choice Program

9. The Green Choice Program ("GCP") allows customers to purchase a specific amount of energy, or a percentage of their monthly usage, from renewable energy resources. APS states that the program was created for residential and commercial customers that want to combine sustainability and affordability.

Production-Based Incentives

- 10. From 2009 to 2013, APS, authorized by the Commission through various decisions, implemented annual Production-Based Incentives ("PBI") programs for non-residential customers deploying Distributed Generation ("DG") resources at commercial sites and connecting them to the APS service territory. PBIs are paid on a cents per Kilowatt-hour ("kWh") basis for actual solar generation over the length of the contracts.
 - 11. In addition, the REST Plan includes the following:
 - Summary information regarding the amount of renewable generation on APS's system and its progress toward compliance with the Renewable Energy Standard ("RES"); and
 - A request for a permanent waiver, under A.A.C. R14-2-1816 of the residential and non-residential incentivized DG targets in the RES rules, contained in A.A.C. R14-2-1805.
- 12. In its REST Plan, APS requests approval of a budget of \$100.5 million for 2022, including \$90.6 million that would be collected through the Renewable Energy Adjustor Charge ("REAC-1") in 2022.
- 13. The Company currently has six REAC customer categories as shown in Tables 1 and 2 below. The current categories are residential, extra small commercial, small commercial, medium commercial, large commercial, and industrial. REAC-1 adjustor charges are applied based on kWh usage, with a monthly cap for each category. Customers who installed a DG system and received an incentive after July 1, 2012, and customers who installed a DG system and interconnected with APS after February 1, 2013, regardless of incentive, pay the average charge for the relevant customer classification. The Company proposes an adjustment to REAC-1, increasing both the monthly adjustor caps and kWh charge.

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Table 1: Current Schedule REAC-1

	Residential	Extra Small Commercial (≤20 kW)	Small Commercial (21-100 kW)	Medium Commercial (101-400 kW)	Large Commercial (401- 3000 kW)	Industrial (>3000 kW)
\$/kWh			C	.006403		
Cap	\$2.56	\$95	.13	\$160.08	\$320.15	\$2,080.98
Average	\$2.19	\$5.35 Minimum Charge	\$26.73 Minimum Charge	\$139.54	\$298.41	\$2,080.98

Table 2: APS Proposed Schedule REAC-1

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	Residential	Extra Small Commercial (≤20 kW)	Small Commercial (21-100 kW)	Medium Commercial (101-400 kW)	Large Commercial (401-3000 kW)	Industrial (>3000 kW)
\$/kWh				0.008157		
Cap	\$3.27	\$12	1.19	\$203.93	\$407.85	\$2,651.03
Average	\$2.80	\$6.81 Minimum Charge	\$34.06 Minimum Charge	\$179.16	\$376.57	\$2,651.03

14. According to the Company, it will not meet the residential and non-residential DG target for 2022, as prescribed under A.A.C. R14-2-1805(A). This rule requires companies to satisfy a Distributed Renewable Energy Requirement by obtaining RECs for distributed renewable energy resources. In the past, utilities have received RECs, from residential and non-residential DG resources, by paying up-front incentives to the owner of the renewable resource. In Decision Nos. 73636 and 74237, the Commission phased out incentives for residential and non-residential DG programs. APS has requested a permanent waiver of the residential and non-residential incentivized DG targets.

15. Table 3 shows a forecast of REST production for 2022. The forecast for residential DG of 290,649 Megawatt-hours ("MWh") in 2022, does not meet the requirement of 528,387 MWh. In the case of the non-residential DG, the forecast of 498,159 MWh does not meet the requirement of 528,387 MWh.

Table 3: RES Program Summary (in MWh)

	2022 Requirement	2022 Forecasted Production	2023 Requirement	2023 Forecasted Production
Residential DG	528,387	290,649	593,921	290,195
Non-Residential DG	528,387	498,159	593,920	508,613
Total DG	1,056,774	788,808	1,187,841	798,808
Renewable Generation	2,465,806	2,906,720	2,771,630	2,831,154
Total for RES Compliance	3,522,580	3,695,528	3,959,471	3,629,962

16. The 2022 REST Plan is requesting a budget of \$100.5 million to meet previously approved commitments, and those approved in Decision No. 78317. These commitments include Power Purchase Agreements ("PPAs"), PBIs, and Commission-approved initiatives, such as limited and moderate-income solar programs, CCT Funds, the Arizona Goes Solar website, and the WattPlan tool (an online educational solar tool). The 2022 budget represents a \$15.8 million increase from the Company's 2021 proposed budget.

17. As indicated in Table 4, the REST Plan proposes to collect \$90.6 million through the REAC. There are \$9.9 million in budget offsets that are applied to the 2022 budget, including \$6 million collected through base rates, \$0.9 million in revenue from the GCP, and \$3 million in estimated unallocated funds.

Table 4: 2022 APS-Proposed Budget (\$ millions)

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7			Budget mended)	E	Budget		eliminary Forecast
		APS	- Proposed	A	proved	Expenses	
1	Renewable Generation						
2	Renewable Generation Contracts and O&M						
3	Purchases and Generation	\$	47.9	\$	39.7	\$	36.3
4	Administration	\$	0.7	\$	0.7	\$	0.6
5	Implementation	\$	0.9	\$	0.9	\$	0.9
6	Total Renewable Generation	\$	49.5	\$	41.3	\$	37.8
7 8 9	Customer Sited Distributed Energy	wirt				Ti.	
10	Existing Contracts and Commitments						
11	DE RFP	\$	5.0	\$	5.0	\$	3.9
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Staff Analysis	and	Recommendations

Extension of the Green Choice Program

18. The GCP allows those who choose to contribute to green energy programs, the ability to meet their individual environmental goals, while reducing the total RES adjustor load on other ratepayers. Staff recommends the extension of the GCP.

Production-Based Incentives

Administrative DE Costs

Information Technology

Offsets to Base Budget

Production Tax Credits

Estimated Unallocated Funds

RES Surcharge Collection

Base Rates

Coal Community Transition

Total Administrative DE Costs

Total Customer Sited DE (line 15 + line 24)

Total RES Budget (line 6 + line 26)

Estimated Green Choice Revenue Credit

Administration

Implementation

Customer Tools

Schools and Government Program Incentives

Total Existing Contracts and Commitments

APS Solar Communities (AZ Sun II & Expansion)

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WattPlan

19. In June 2021, the Commission approved Decision No. 78076, that allowed APS to implement WattPlan, an online educational solar tool from Clean Power Research. It is currently offered to residential customers of APS's neighboring utilities and allows them to obtain an objective estimate of the costs and benefits associated with installing rooftop systems with or without battery storage. The company is requesting \$125,000 in 2022, for the annual software licensing of this tool.

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20. Staff recommends approval of the funds necessary for the annual software licensing of the WattPlan program.

Changes to the Renewable Energy Standard Adjustor Schedule

21. APS has proposed a 2022 REST Plan budget that is a \$15.8 million increase from the 2021 budget. As filed, the Company estimated that there will be \$3 million in unallocated funds by the end of 2022. However, APS estimates that \$6.8 million will remain in unallocated funds at the end of 2021. Staff recommends that this balance be used to offset the 2021 base budget.

Table 5: Proposed RES Surcharge Collection (\$ millions)

AND THE STATE OF THE PARTY OF T	APS-Proposed		Staff-Proposed	
Total RES Budget	\$	100.5	\$	100.5
Base Rates	\$	(6.0)	\$	(6.0)
Production Tax Credits	\$	7 2 6	\$	_
Estimated Green Choice Revenue Credit	\$	(0.9)	\$	(0.9)
Previous Years Rollover Funds	\$	(3.0)	\$	(6.8)
RES Surcharge Collection	\$	90.6	\$	86.8

22. The application of \$6.8 million in rollover funds toward the 2022, base budget results in a \$86.2 million RES surcharge collection and the recommended schedule REAC, shown in Table 6. For the average residential customer, the impact of the Staff-recommended Schedule REAC-1, would be approximately \$0.71 per month.

Table 6: 2022 Staff Recommended Schedule REAC-1

	Residential	Extra Small Commercial (≤20 kW)	Small Commercial (21-100 kW)	Medium Commercial (101-400 kW)	Large Commercial (401-3000 kW)	Industrial (>3000 kW)
\$/kWh			0	.007812		
Cap	\$3.13	\$11	6.06	\$195.30	\$390.60	\$2,538.90
Average	\$2.72	\$6.52 Minimum Charge	\$32.62 Minimum Charge	\$171.57	\$360.64	\$2,538.90

23. Staff recommends approval of the proposed REST budget of \$100.5 million as discussed herein. Staff also recommends approval of the Staff recommended REAC-1 rate and caps shown in Table 6.

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24. We approve the adjustor rate and monthly caps for Schedule REAC-1 as shown in the following table:

Table 7: 2022 Commission Approved Schedule REAC-1 Caps

	Residential	Extra Small Commercial (≤20 kW)	Small Commercial (21-100 kW)	Medium Commercial (101-400 kW)	Large Commercial (401-3000 kW)	Industrial (>3000 kW)
\$/kWh		7	0.0	07812		
Cap	\$3.00	\$50	0.00	\$200.00	\$500.00	\$2,500.00
Average	\$2.62	\$6.52 Minimum Charge	\$32.62 Minimum Charge	\$174.75	\$456.58	\$2,500.00

Residential and Non-Residential Distributed Generation Carve-Out Waiver

- 25. In Decision Nos. 73636 and 74237, the Commission phased out up-front incentives for DG. Once incentives were no longer granted, the Company ceased to receive the RECs associated with any energy produced by DG interconnected to the system. As a result, the Company's progress in achieving its DG goals have remained dormant while non-incentivized DG interconnections have experienced steady growth, and if these RECs were to be counted, APS would be compliant with the REST goals through 2022.
- 26. Staff recommends the granting of a waiver for the residential and non-residential Distributed Energy Requirement contained in A.A.C. R14-2-1805(A-D), as allowed under A.A.C. R14-2-1816 for 2022.

Compliance

- 27. Having reviewed the Company's compliance report, filed with the Commission on April 1, 2021, the REST Plan, filed on July 1, 2021, and other applicable information, Staff concludes that APS has not used any RECs not owned by the Company to comply with the Commission's REST rules in 2022.
- 28. Pursuant to A.A.C. R14-2-1812, APS is required to file an annual compliance report. Staff recommends that APS continue to file its annual REST compliance report in Docket No. E-00000R-16-0084, and cease filing in Docket No. E-01345A-16-0036. The Company currently files quarterly program reports for the Solar Communities program in Docket No. E-01345A-16-0036,

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and requests permission to file these reports in Docket No. E-00000R-16-0084 instead. Staff recommends APS file future quarterly reports for the Solar Communities program in Docket No. E-00000R-16-0084.

29. Staff further recommends that APS file as a compliance item in this Docket within 30 days a revised Adjustment Schedule REAC-1 showing the approved rates and caps.

CONCLUSIONS OF LAW

- Arizona Public Service Company is an Arizona public service corporation within the meaning of Article XV, Section 2, of the Arizona Constitution.
- The Arizona Corporation Commission has jurisdiction over Arizona Public Service
 Company and over the subject matter in the application.
- 3. The Arizona Corporation Commission, having reviewed Arizona Public Service Company's application and Staff's Memorandum, concludes that it is in the public interest to approve Arizona Public Service Company's 2022 Renewable Energy Standard and Tariff Plan and the Renewable Energy Standard and Tariff Plan budget as discussed herein.

ORDER

IT IS THEREFORE ORDERED that the proposed Renewable Energy Standard and Tariff Plan budget of \$100.5 million is approved.

IT IS FURTHER ORDERED that the Renewable Energy Standard adjustor rate and monthly caps be set as shown in Table7.

IT IS FURTHER ORDERED that Arizona Public Service Company is granted a waiver for 2022 of the residential and non-residential Distributed Energy Requirement contained in Arizona Administrative Code R14-2-1805(A-D), as allowed under Arizona Administrative Code R14-2-1816 for 2022.

IT IS FURTHER ORDERED that Arizona Public Service Company file its annual Renewable Energy Standard and Tariff Plan compliance reports in Docket No. E-00000R-16-0084.

IT IS FURTHER ORDERED that Arizona Public Service Company is no longer required to file quarterly reports for the Solar Communities Program in Docket No. E-01345A-16-0036 and

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instead shall file future quarterly reports for the Solar Communities program in Docket No. E-00000R-16-0084.

IT IS FURTHER ORDERED that Arizona Public Service Company shall establish a monthly bill credit of \$49.99 for customers participating in the Solar Communities Program.

IT IS FURTHER ORDERED, in the docket, "In the Matter of Establishing a Commission Policy for the Development and Integration of Competitive Community Solar and Community Energy Storage Projects in Arizona," E-00000A-22-0103 ('Generic Community Solar Docket'), that Staff and Arizona Public Service Company shall organize a community solar working group to capture best practices from around the country, establish the mechanics, implementation, and operational details of an Arizona Public Service Company community solar program, and assist Staff as it prepares a recommendation for Commission consideration. Working group participants should include, but are not limited to:

- ACC Staff
- RUCO
- Coalition for Community Solar Access
- Wildfire
- An invitation to participate in the workgroup shall also be extended to all electric public service corporations and Salt River Project.

The workgroup shall meet at least every other week, or as needed, beginning the first full week of June 2022. APS shall submit a proposal for implementation to the Commission in advance of a Staff proposed order. The Staff proposed order shall be voted upon in the Generic Community Solar Docket no later than the November 2022, Open Meeting to be effective within six months of Commission approval of the proposal for implementation.

IT IS FURTHER ORDERED that the working group and Staff should consider the following attributes as a starting point in its design of the Arizona Public Service Company community solar program:

 Program design may utilize lessons learned from other successful community solar programs, such as the Minnesota (Xcel Energy) community solar program, and designed to attract long-term private sector investment.

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 Participating customers should be limited to residential, low-income, non-profit (including faith-based organizations), schools, municipalities, extra small commercial, and small commercial customer classes.

- A priority for low-income customer participation with a carveout for a specific percentage of capacity reserved to serve low-income customers and include suggested methodologies to minimize the burden of income verification.
- Direct bill offsets may be considered for subscribers to produce savings in a structure substantially similar to that offered to rooftop solar customers, eliminating the need for incentives. The value proposition for subscribers should be similar to those participating in onsite generation.
- Third party development, financing, construction, ownership, and operation of community projects.
- Arizona Public Service Company and third-party operators' responsibility for retail subscriber maintenance, consolidated subscriber billing, and ongoing customer-service support. Before commercial operation, the working group may consider a reasonable timeframe to achieve project subscription, after which any remaining power may be purchased by Arizona Public Service Company at a rate determined by the working group. The working group may consider a similar process for maintaining subscriptions during operation. Arizona Public Service Company and third-party project operators may be allowed to pursue subscribers independently.
- Arizona Public Service Company and third-party operators must comply with all
 applicable state and federal consumer protection laws. The workgroup may consider
 a succinct standard disclosure form to accompany all customer-facing contracts.
- The working group may consider the inclusion of battery storage coupled with solar in the program design.
- Consideration of third-party community wind projects, as applicable and under the same guidelines outlined above.
- A publicly available Arizona Public Service Company "hosting capacity map" GIS webpage containing an easy-to understand ranking system for each applicable distribution line or circuit, directing third party developers to interconnection locations that maximize value for Arizona Public Service Company and the entire electric system, addressing costs shifts. The hosting capacity map should enable streamlined project interconnection review, with shorter queues and minimal fees, especially for projects interconnected to higher value distribution lines. Design of the hosting capacity map may allow for possible future application in the deployment of other Distributed Energy Resources by individuals, third parties, or aggregators within the proposed Distributed Demand Side Resource Aggregation tariff or otherwise.

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income participation will be prioritized, how subscription rates will be determined, how bill credits

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will be applied, how to utilize the hosting capacity map to maximize systemwide benefits, how

projects may provide additional ancillary services to the grid, establish the parameters of any

Arizona Public Service Company tariff implementing the program, and file updates to the docket

every month beginning in June, 2022. Staff may schedule a workshop(s) in place of any required

reporting and compliance requirements, and Staff's proposed order related to the community solar

working group shall be filed in the docket "In the Matter of Establishing a Commission Policy for

the Development and Integration of Competitive Community Solar and Community Energy Storage

Projects in Arizona", E-00000A-22-0103 ("Generic Community Solar Docket"). If the Generic

Community Solar Docket results in the adoption of a community solar program, Arizona Public

Service Company shall file an application, in this docket, requesting implementation of a community

Commission shall hold open this docket for a period of 12 months after the effective date of the

solar program consistent with the decision in the Generic Community Solar Docket.

decision herein for Arizona Public Service Company to file a such a request.

IT IS FURTHER ORDERED that all materials, evidence, documentation, activities,

update.

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